

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

JACK A. DORAZIO,	:	CIVIL ACTION
Plaintiff,	:	
	:	
v.	:	
	:	
CAPITOL SPECIALTY	:	
PLASTICS, INC.,	:	
Defendant.	:	No. 01-6548

MEMORANDUM AND ORDER

Schiller, J.

December , 2002

Presently before this Court is Defendant's motion for judgment as a matter of law pursuant to Rule 50 of the Federal Rules of Civil Procedure. Because Plaintiff failed to present facts supporting the existence of a trade secret or any misappropriation thereof sufficient to allow a reasonable jury to find in his favor, I grant Defendant's motion.

Defendant Capital Specialty Plastics ("CSP") is an Alabama¹ corporation in the business of developing and selling packaging technology. In December 1999, CSP hired Plaintiff Jack Dorazio as a Key Account Manager, responsible for sales and marketing of the company's products. The parties executed an employment agreement, dated December 18, 1999, providing for a term of 10 years and for termination "for cause" at any time and without cause upon one year's written notice. Plaintiff alleges that he benefitted Defendant by calling on contacts that Plaintiff had cultivated in his many years in the industry. Plaintiff also alleges that he invented new and novel uses for Defendant's products. Despite these contributions, he avers, Defendant terminated Plaintiff in March 2001 without cause and later breached the employment agreement by attempting to terminate him a

¹Because Plaintiff is a Pennsylvania resident, this Court has subject matter jurisdiction pursuant to 28 U.S.C. §1332.

second time “for cause.” Plaintiff sued in three counts: Count I for breach of contract, Count II for fraud by way of a scheme to steal Plaintiff’s contacts and ideas, and Count III for misappropriation of Plaintiff’s intellectual property rights in his inventions. The Court granted summary judgment in favor of Plaintiff on Count I and in favor of Defendant on Count III. The matter proceeded to a jury trial on Count II after re-styling the claim as one for misappropriation of trade secrets.

I. PROCEDURAL BACKGROUND

Plaintiff commenced this action by filing a Complaint on December 18, 2001. On November 15, 2002, following the submission of motions for summary judgment by both parties, the Court granted summary judgment for Plaintiff as to liability on the Count I claim and for Defendant on the Count III claim. On November 25, 2002, the Court entered an Order reflecting the fact that the parties had reached an agreement to settle the Count I claim for \$160,000.00, exclusive of attorney’s fees.

Only Count II of the Complaint survived Defendant’s motion for summary judgment and is thus the principal subject of this Memorandum and Order. Therein, Plaintiff alleged that CSP’s entry into the employment agreement was “part and parcel” of a scheme to defraud Mr. Dorazio and steal “all or most of his marketing knowledge, contacts and ideas.” (Pl.’s Compl. ¶ 15.) By inducing him to enter into the agreement, Plaintiff averred, CSP caused him to “provide” these items of intellectual property. (*Id.* ¶ 16). Although it appeared from the Complaint that Plaintiff was attempting to make out a fraudulent inducement claim, Plaintiff argued at the summary judgment stage that Count II went “well beyond” a fraudulent inducement claim. (Pl.’s Resp. to Def.’s Mot. for Summ. J. at 3.) Plaintiff explained his Count II claim as centering on the allegation that “defendant purposefully and intentionally executed a scheme to hire people with contacts and business knowledge valuable to it

and then fire them for concocted reasons after taking from them those contacts and that business knowledge.” (*Id.*) The Court thus evaluated Plaintiff’s Count II allegations under the two most closely applicable theories, fraudulent inducement and misappropriation of trade secrets.

The Court determined that Plaintiff could not survive summary judgment on a fraudulent inducement claim because Plaintiff could not show a legal duty separate from the duty to perform under the contract, demonstrate a fraudulent misrepresentation collateral or extraneous to the contract, or show special damages proximately caused by the alleged false representation. *See Bridgestone/Firestone, Inc. v. Recovery Credit Servs., Inc.* 98 F.3d 13, 21 (2d. Cir. 1996); *Best Western Int’l, Inc. v. CSI Int’l. Corp.*, Civ. A. No. 94-360, 1994 U.S. Dist. LEXIS 11815, at *17, 1994 WL 465905, at *5 (S.D.N.Y. Aug. 23, 1994).

The Court next analyzed Plaintiff’s allegations under a misappropriation of trade secret theory. The Court examined Plaintiff’s allegations, acknowledging that, under certain circumstances, New York law has recognized customer lists as trade secrets, and that the question of whether or not a customer list is a trade secret is generally a question of fact. *See A.F.A. Tours, Inc. v. Whitchurch*, 937 F.2d 82, 89 (2d Cir. 1991); *Defiance Button Mach. Co. v. C & C Metal Prods. Corp.*, 759 F.2d 1053, 1063 (2d Cir. 1985); *see also Chevron U.S.A. Inc. v. Roxen Serv., Inc.*, 813 F.2d 26, 29 (2d Cir. 1987); *Ashland Mgmt. Inc. v. Janien*, 82 N.Y.2d 395, 407 (N.Y. 1993).

Neither Plaintiff’s Complaint nor his Response to Defendant’s motion for summary judgment explained precisely which contacts and/or knowledge formed the basis of his cause of action. Plaintiff’s sworn affidavit, however, indicated that he spent approximately thirty years in the plastics business before coming to CSP, during which time he developed “significant business contacts.” (Dorazio Aff. ¶ 4,8.) Moreover, Plaintiff stated that he “gave” CSP the names and data of

approximately 500 high-level business contacts in the pharmaceutical and biotech industries and that CSP “utilized” that information in its marketing programs. (*Id.* at 13.) On this basis, the Court held that Plaintiff had put forth facts sufficient to create a material issue of fact as to the existence of a trade secret in the form of his business contacts and, thereby, survive summary judgment.²

At trial, Plaintiff testified and presented evidence as to existence of his trade secrets and CSP’s misappropriation thereof. At the close of Plaintiff’s testimony, Defendant moved pursuant to Federal Rule of Civil Procedure 50 for judgment as a matter of law. The Court subsequently granted Defendant’s motion.

II. DISCUSSION

A. Legal Standard

Under Federal Rule of Civil Procedure 50(a)(1), a court must grant a judgment as a matter of law “[i]f during trial by jury a party has been fully heard on an issue and there is no legally sufficient basis for a reasonable jury to find for the party on that issue.” Although judgment as a matter of law should be granted sparingly, a scintilla of evidence will not enable the non-movant to survive a Rule 50 motion. *See Goodman v. Pa. Tpk. Com’n.*, 293 F.3d 655, 665 (3d Cir. 2002) (citing *Lightning Lube, Inc. v. Witco Corp.*, 4 F.3d 1153, 1166 (3d Cir.1993)). “The question is not whether there is literally no evidence supporting the party against whom the motion is directed but whether there is evidence upon which the jury could properly find a verdict for that party.” *Lightning Lube*, 4 F.3d at 1166 (internal quotation omitted). In evaluating a motion for a judgment as a matter of law, a court should apply the same substantive standard that the non-moving party must meet at trial, granting all

² The Court also noted that the record contained no factual support with respect to Mr. Dorazio’s marketing knowledge or ideas, the value thereof, or any steps he took to protect that knowledge or those ideas.

reasonable inferences from the evidence to the non-moving party. *See Anderson v. Liberty Lobby*, 477 U.S. 242, 252 (1986); *Reeves v. Sanderson Plumbing Prods.*, 530 U.S. 133, 150 (3d Cir. 2000).

B. Misappropriation of Trade Secrets Under New York Law

In this case, New York law³ requires that Plaintiff demonstrate (i) that he possessed a trade secret and (ii) that Defendant used that trade secret in breach of an agreement, a confidential relationship, or duty, or as a result of discovery by improper means. *Integrated Cash Mgmt. Servs., Inc. v. Digital Transactions, Inc.*, 920 F.2d 171, 173 (2d Cir.1990); *Speedry Chem. Prods., Inc. v. Carter's Ink Co.*, 306 F.2d 328, 331 (2d Cir.1962); *Brignoli v. Balch Hardy & Scheinman, Inc.*, 645 F. Supp. 1201, 1205 (S.D.N.Y.1986); *Sublime Prods., Inc. v. Gerber Prods., Inc.*, 579 F. Supp. 248, 251 (S.D.N.Y.1984); *Rapco Foam, Inc. v. Sci. Applications, Inc.*, 479 F. Supp. 1027, 1029 (S.D.N.Y.1979); RESTATEMENT SECOND OF TORTS § 757 (1939). Under New York law, “[a] trade secret is ‘any formula, pattern, device or compilation of information which is used in one’s business, and which gives [the owner] an opportunity to obtain an advantage over competitors who do not know or use it.’” *Ashland Mgmt. Inc. v. Janien*, 82 N.Y.2d 395, 407 (N.Y. 1993). In determining whether information constitutes a trade secret, New York courts have considered the following factors:

(1) the extent to which the information is known outside of plaintiff’s business; (2) the extent to which it is known by employees and others involved in the business; (3) the extent of measures taken by plaintiff to guard the secrecy of the information; (4) the value of the information to the business and its competitors; (5) the amount of effort or money expended by the plaintiff in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

Id at 407 (citing RESTATEMENT SECOND OF TORTS § 757 cmt. b). The alleged trade secret or secrets

³ As I stated in the Memorandum and Order of Nov. 15, 2002 (Document No. 33), New York law governs the Count II claim.

must also have been developed by Plaintiff prior to, not during, his employment with CSP, in order for Plaintiff to claim ownership. *See No. Atl. Instruments, Inc. v. Haber*, 188 F.3d 38, 47 (2d Cir. 1999). In order to show that CSP misappropriated his alleged trade secrets, Plaintiff must show a confidential relation between the parties, disclosure of trade secrets, and use by defendant of this secret information. *Speedry*, 306 F.2d at 331.

Here, Plaintiff has failed to present evidence that his contacts were misappropriated, or, were, in fact, trade secrets, such that a jury could not properly find for him. For purposes of this motion, I treat Plaintiff as having established that CSP executed a scheme to steal the trade secrets of several employees other than Mr. Dorazio by making use of their contacts and/or business knowledge and terminating some in a short time frame, because Defendant's Rule 50 motion was made before Plaintiff was able to introduce testimony as to that matter. (Nov. 26, 2002 Tr. at 153.) Plaintiff has fully presented his evidence, however, with respect to the existence of his trade secrets and the misappropriation thereof.

1. Mr. Dorazio's Alleged Trade Secrets

Plaintiff's definition of what items embody his trade secrets evolved somewhat over the course of his two full days of testimony. As noted, Mr. Dorazio's affidavit indicates that he spent approximately thirty years in the plastics business before coming to CSP, during which time he developed "significant business contacts." (Aff. of J. Dorazio at 4,8.) At trial, Plaintiff submitted a printout of a contact list containing approximately 1000 names. (Pl.'s Exh. 17.) Plaintiff also submitted a memorandum of law in support of the argument that this list was a trade secret based on the established proposition that customer lists can be trade secrets. (Pl.'s Mem. of Law.) Exhibit 17

is the only item in the record that potentially qualifies as a trade secret belonging to the Plaintiff.

With regard to the *Ashland Management* factors, Plaintiff testified at trial as to the investment he made in the contact list over some thirty years. He indicated that he sent an average of four letters per year to those on his list, including a personal note with each. (Nov. 26, 2002 Tr. at 149.)

As to the value of this list, the Complaint states that Plaintiff's use of his contacts "had resulted" in "substantial sales" for CSP. (Pl.'s Compl. ¶ 10.) Plaintiff describes the contacts on the list as being "behind the scenes decision makers" who could be very helpful to someone trying to sell a product to their company. (Nov. 26, 2002 Tr. at 142.) Of the 1000 contacts contained in his exhibit, however, Plaintiff introduced direct evidence regarding the value of only one, Mr. Robert King. Plaintiff testified that his relationship with Mr. King enabled him, through an initial referral followed by series of subsequent referrals – each unconnected to Mr. King – to assist CSP in two major business ventures, the hosting of an Institute of Professional Packagers ("IOPP") conference and a joint development agreement with Pepsico. (*Id.* at 58-59.) Plaintiff, however, failed to show that his contact with Mr. King was the but-for cause of these successes. The chain of connection between Mr. King and either IOPP or Pepsico involved several other contacts, such that it was difficult to determine how much, if at all, Plaintiff's relationship with Mr. King actually contributed to his ability to help the company in these two instances. Furthermore, the only "sale" that Mr. Dorazio can point to is a prototype part contract with Glaxo Smith Kline ("GSK"). (*Id.* at 15-17.) There is no direct evidence in the record that this sale resulted from Mr. Dorazio's contacts, and Mr. Dorazio testified that Pepsico and IOPP were the only instances in which had utilized his Exhibit 17 contacts for the benefit of CSP (Nov. 25, 2002 Tr. at 105.)

With regard to secrecy, Plaintiff testified that "no one," except the individuals whom he had

supervised, had ever seen the list before trial. (*Id.* at 47.) Plaintiff testified that he kept the list in his home and never told his former employers that he had such a list. (*Id.* at 34-35.) However, as Defendant noted, while CSP took steps to protect its own trade secrets through the employment contract, Mr. Dorazio, who was represented by counsel in the contract negotiations, failed to even raise the issue. Moreover, Plaintiff did not tell the employees who helped him compile the list to keep it secret. (*Id.* at 49.)

Plaintiff was also unable to show that the contacts had been exclusively his in the first instance. Plaintiff testified that many of these contacts came from work done for other employers. (*Id.* at 46.) This distinguishes Plaintiff's contact list from the customer lists protected under New York law. Customer lists are typically developed by a company through the work of its employees. It thus has an inchoate proprietary interest in the list. If a non-employee attempts to make use of the list, he or she may be liable for trade secret misappropriation. *See, e.g., Defiance Button*, 759 F.2d 1053, 1063-64. Of course, I cannot here resolve the issue of who, as between Mr. Dorazio and his former employers, owned his contact list. At the same time, I find it all the more difficult to view these contacts as trade secrets belonging to Mr. Dorazio when he developed them while working for another employer. I thus find that Exhibit 17 does not qualify as a trade secret under New York law.

2. Misappropriation

During his short employment with CSP, Dorazio claims to have given CSP the names and data of approximately 500 high-level business contacts in the pharmaceutical and biotech industries. (Dorazio Aff. ¶ 13.) At trial, however, Plaintiff stated that the 500 contacts that he claimed to have given CSP were not a part of the 1000 contacts contained in Exhibit 17. (Nov. 26, 2002 Tr. at 27.) Instead, Plaintiff testified that the 500 contacts he gave CSP were possibly contained in Exhibits 14,

15, and 16. (*Id.* at 24-25.) Exhibits 14, 15, and 16 contain reports with publicly available information about companies that Mr. Dorazio produced while employed at CSP. Indeed, Mr. Dorazio testified that he did not regard Exhibits 14, 15 or 16 as trade secrets. (*Id.* at 26.) Plaintiff also testified that the contacts he allegedly gave to CSP were contained in “visit reports” that Plaintiff had neither produced nor discussed until he was cross-examined. (*Id.* at 25-26.)

An alternative theory of misappropriation advanced by the Plaintiff was that he used the alleged trade secrets contained in Exhibit 17 for CSP’s benefit during his employment. First, as a factual matter, even if Plaintiff had shown that Exhibit 17 was a protectable trade secret, Plaintiff introduced direct evidence as to only one contact that he used from the list during his employment and provided no evidence of any use of any of his contacts by CSP in the wake of his departure. Although Mr. Dorazio may have accessed the contacts contained in his visit reports through the use of his Exhibit 17 contacts, he has not introduced his visit reports into evidence, nor has he provided direct evidentiary support, other than a general assertion, that CSP improperly benefitted from his Exhibit 17 contacts by way of his visit reports. (*Id.* at 25-26.)

Moreover, as a matter of law, Plaintiff has not established that the use by an employee of trade secrets for the benefit of his employer constitutes misappropriation. I can find no authority to support such a proposition. Again, New York law has found misappropriation where a defendant former employee has improperly used a plaintiff former employer’s trade secrets. *See, e.g., Speedry*, 306 F. 2d at 331. It has not recognized that an employer’s passive receipt of a benefit from an employee’s use of trade secrets constitutes misappropriation.

Specifically, Plaintiff has made no showing of a breach of duty or confidence accompanying this use that would cast doubt on its appropriateness. Plaintiff, it seems, would have the Court treat

the existence of a “scheme” as prima facie evidence of misappropriation of his trade secrets. In this regard, Plaintiff makes much of the fact that his termination occurred despite CSP’s representation to him that sales would require substantial time and that, because of this, he and CSP entered into a ten year contract. The implication seems to be that Defendants had to have a motive other than performance for terminating Plaintiff after a short period of time. Yet Plaintiff has not shown that his contacts were of sufficient value to CSP to create a motive for CSP to breach the employment contract in order to obtain them.

Finally, even if I were to find evidence of misappropriation, Plaintiff has failed to show how he has been harmed. Plaintiff has made no showing that CSP has taken any of Plaintiff’s relationships from him, or used them in such a way as to diminish their value. Plaintiff also has a provision in his contract requiring CSP to pay him – even after termination – a commission on top of his salary for “commitments obtained” during his employment (Employment Agreement ¶ 3c). Thus, Plaintiff would have continued to reap the benefits of commitments obtained through the use of his contacts, had he, in fact, generated commitments during his employment with CSP.⁴

III. CONCLUSION

Under these circumstances, no reasonable jury could find that Mr. Dorazio possessed a trade secret and that CSP used that trade secret in breach of an agreement, a confidential relationship, or duty, or as a result of discovery by improper means. I therefore grant Defendant’s motion for judgment as a matter of law. An appropriate order follows.

⁴ Plaintiff testified that he had not obtained any commitments during his employment with CSP. (Nov. 26, 2002 Tr. at 20.)

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

JACK A. DORAZIO,	:	CIVIL ACTION
Plaintiff,	:	
	:	
v.	:	
	:	
CAPITOL SPECIALTY	:	
PLASTICS, INC.,	:	
Defendant.	:	No. 01-6548

ORDER

AND NOW, this day of **December, 2002**, upon consideration of Defendant's oral motion for judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50, it is hereby **ORDERED** that:

1. Defendant's Rule 50 motion is **GRANTED**.
2. Based on my earlier grant of summary judgment in Plaintiff's favor on Count I, Plaintiff's counsel shall submit a petition for attorney's fees by December 30, 2002.

BY THE COURT:

Berle M. Schiller, J.